



...YOUR COMPLIANCE, ESG & SUSTAINABILITY IN ACCORD

Hello from ESG Accord,

Earth Day last week was a great opportunity to feel the transformational shifts underway for Sustainable Finance and how we (that's us, you and I, and the financial sector) are going to deliver change.

So we start with a reminder of what we are about & why we are celebrating the details of the FCA Sustainability Finance Strategy (released 23/04)!

ESG Accord aims to bring 'Your compliance, your ESG and sustainability in accord'.

We believe in best practice culture for financial advisory firms as market participants. This is about Governance; systems, controls, and arrangements.

We believe in good outcomes for people (social), good outcomes for the market (economic) and good outcomes for the planet (environment).

The FCA aims;

"...to make sure that our regulatory approach creates an environment in which market participants can manage the risks from moving to a more sustainable economy and capture opportunities to benefit consumers.

Our sustainable finance strategy is based on 3 themes. These reflect the priorities set out in our feedback statement FS19/6.

- Transparency: Promoting good disclosures along the investment chain.
- Trust: Ensuring that the market delivers sustainable finance instruments and products that genuinely meet investors' sustainability preferences.
- Tools: Government, regulators and industry all working together to share experience, develop guidance and tools, and provide mutual support as we address the challenges of climate change.

Read the full statement here:

<https://www.fca.org.uk/firms/climate-change-sustainable-finance>

And linking again to the MiFID II review in Feb:

<https://www.fca.org.uk/publications/multi-firm-reviews/mifid-ii-product-governance-review>

20th April, UK enshrines new target in law to cut emissions by 78% by 2035

The sixth Carbon Budget (CB6) sets in law world's most ambitious climate target, cuts emissions by 78% by 2035 compared to 1990 levels
- CB6 includes UK's share of international aviation & shipping emissions
- Brings UK more than 3/4 of the way to net zero by 2050

Gov analysis finds costs are outweighed by the benefits – reducing polluting emissions, bringing fuel savings, improved air quality, enhanced biodiversity. The gov expects costs of net zero will fall as green tech advances, industries decarbonise & private sector investment grows.

Setting CB6 is about UK government ambition to cut emissions, rather than announcing specific policies to deliver that reduction in emissions. The government is set to bring forward policies to meet carbon budgets & Net Zero Strategy, before COP26.

<https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035>

How can Boris Johnson hit his ambitious new carbon-cutting target?

<https://on.ft.com/3tB8MHq>

April 21, EU climate law - agreement to reduce net greenhouse gas emissions by “at least 55%” by 2030, compared to 1990 levels. That objective will therefore also become a legal obligation for the EU and its member states.

<https://www.euractiv.com/section/climate-environment/news/breakthrough-as-eu-negotiators-clinch-deal-on-european-climate-law/>

FCA makes key sustainability hire:
Director of Environment Social and Governance

In the newly created role, Sacha Sadan will develop and advocate for the FCA's approach to sustainable finance domestically and internationally. He will lead the development of policy that will help ensure the long-term safety and soundness of firms, the proper functioning of markets and the protection of consumers.

Nikhil Rathi, Chief Executive of the FCA, said:

'The FCA is rightly seen as an international leader on the role financial regulation should play in delivering a more sustainable and greener future. We welcome the recent addition to our remit of a requirement to have regard to the UK target of net zero carbon emissions. I am delighted to have someone of Sacha's experience and insight joining us to help us accelerate this important work.'

<https://www.fca.org.uk/news/press-releases/fca-makes-key-sustainability-and-technology-hires>

UK Gov funding sustainability

<https://www.gov.uk/government/news/ukef-doubles-support-for-sustainable-projects-to-24-billion-in-2020>

Great overview, key optimistic drivers for change;

1. Risk calculation has changed
2. Green industries outperforming global markets
3. Sustainable fixed income issuance is booming
4. Capital is flowing into green infrastructure
5. Regulators are helping to change the game, drive more disclosure/transparency and guard against greenwashing

https://www.ftserussell.com/blogs/investing-shouldnt-cost-earth-unprecedented-transition-net-zero?kui=shtbkqfub2m_lqigkp3dpw

UKEF doubles support for sustainable projects to £2.4 billion in 2020

UK companies help bring new hospitals, clean energy, and transportation to developing countries following record levels of UK Export Finance backing.

<https://www.gov.uk/government/news/ukef-doubles-support-for-sustainable-projects-to-24-billion-in-2020>

Indirect emissions - "With five years already elapsed since the Paris Agreement, talking the talk must be replaced with walking the walk."

https://www.investmentweek.co.uk/news/4030040/investor-alliance-calls-banks-cease-fossil-fuel-financing?utm_medium=email&utm_content=&utm_campaign=IW.SP_18.Daily_RL.EU.A.U&utm_source=IW.DCM.Editors_Updates&utm_term=ESG%20ACCORD&uid=b736e7645fc9bae9b3ff2af50d41c5f1

Interesting survey results via the FT. "Clothes dryer vs the car: carbon footprint misconceptions"

The majority of people are unable to identify which lifestyle decisions are the most effective at limiting their carbon footprint, according to an international survey of more than 21,000 people across almost 30 countries. ...

Yet, an overwhelming number claim they know which personal actions they must take to play their part in tackling climate change, according to the Ipsos Mori survey exclusive to the Financial Times.

<https://on.ft.com/3giHsdi>

The survey fails to mention switching investments to lower carbon footprint (this falls as scope 3, but presumably would outweigh emissions reduction in size compared to an individual person's direct footprint)

This publication is intended merely to highlight issues, it is not meant to be comprehensive, nor is it regulatory advice. Should you have any questions on issues raised here or on other areas of ESG or Sustainability, please contact us admin@esgaccord.ci.uk

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Interesting discussion here regarding corporation tax and unilateralism (end race to the bottom) and a similar need/strategy for carbon pricing, interesting with the UK holding G7 and COP26 presidency (the G7 operates closely with OECD)

To save the planet, focus on corporate-tax free riders

<https://on.ft.com/2RJ4JLf>

Sustainable bond issuance soars; Financial institutions such as development banks accounted for the lion's share of total green bond issuance in the first quarter, at 41%. Governments had a share of 21%.

<https://prod.reuters.com/business/sustainable-business/sustainable-bond-issuance-reaches-record-high-first-quarter-2021-04-15/>

<https://www.reuters.com/business/finance/eu-drafts-plan-delay-decision-labelling-gas-green-investment-2021-04-15/>

The taxonomy aims to make truly sustainable activities more visible to investors, and shift capital into helping the EU hit its climate goals. However, it will not block funding for activities that do not receive a "green" label.

UK and EU carbon trading

<https://www.reuters.com/business/sustainable-business/businesses-urge-eu-britain-link-their-carbon-markets-2021-04-15/>

Taxonomy divergence discussion

<https://capitalmonitor.ai/institution/government/who-cares-if-the-uk-and-eus-green-taxonomies-diverge/>

Good to bring some positivity...in 30 years time, what kind of world might we be living in?

Right now, inventors and entrepreneurs at Imperial College London are developing world-changing ideas that could transform our relationship with the planet.

<https://imperialtechforesight.com/the-world-in-2050/>

TPR warns ignoring climate change risks savers retirements, enforced action may follow if schemes do not comply.

<https://www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2021-press-releases/ignoring-climate-change-risks-savers-retirements-tpr-warns>

And finally! Please let us now via admin@esgaccord.co.uk if you have any topics or questions you'd like covered in our newsletter.